United Nations A/C.5/52/SR.48

General Assembly
Fifty-second session

Official Records

Distr.: General
19 March 1998

Original: English

Fifth Committee

Summary record of the 48th meeting
Held at Headquarters, New York, on Tuesday, 10 March 1998, at 10 a.m.

Chairman: Mr. Chowdhury ..... (Bangladesh)
later: Ms. Daes (Vice-Chairman) ..... (Greece)
later: Mr. Chowdhury (Chairman) ..... (Bangladesh)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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Organization of work

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The meeting was called to order at 10.10 a.m.

Agenda item 117: Improving the financial situation of the United Nations (*continued*) (A/52/444)

1. **Mr. Connor** (Under-Secretary-General for Management), presenting the year-end review of the financial situation of the Organization, said that there had been little movement in the three key indicators of cash, unpaid assessments and amounts due to Member States for troops and contingent-owned equipment..Aggregate year-end cash balances showed a high of $728 million in 1995, a decline to $677 million in 1996 and a slight drop to $669 million in 1997. Disaggregated, however, with regular budget cash and peacekeeping cash shown separately, the picture showed a steady downward level of peacekeeping cash, reflecting the decreasing level of peacekeeping assessments, and a continued regular budget cash deficit.

2. Temporary factors had added some $80 million to the peacekeeping cash balance of $791 million at year end 1997. The one-time $54 million underspend from the 1996-1997 budget and the unexpected contributions received in December 1997, principally from the United States of America, had had a favourable effect on the regular budget cash balance. Without those unusual factors, the regular budget cash deficit would have been approximately $195 million, comparable to the level of recent years, rather than the $122 million actually recorded.

3. The pattern of payment of regular budget assessments by the United States differed substantially from that of all other Member States. Payments by the United States had ranged from as high as 130 per cent of current-year assessments in 1990 to below 50 per cent in 1995. During the period from 1980 to 1997, 90 per cent of all regular budget assessments had been paid – leaving 10 per cent unpaid. In contrast, the amounts paid by other Member States had not differed as markedly from the amounts assessed either on a year-to-year basis or cumulatively. Ninety-nine per cent of all assessments had been paid, with only 1 per cent unpaid. That gap between assessment and payment levels caused the regular budget cash account to move into a deficit position and, until Member States, particularly the United States, closed the gap and paid down their arrearage, regular budget cash deficits would continue to occur at every future year end.

4. Unpaid assessments had declined from $2.1 billion at the end of 1996 to $2 billion at the end of 1997. Two factors could contribute to a reduction in the level of unpaid assessments. First, the level of new assessments could be moderated, as had occurred during the six-year period from 1994 to 1999, when there had been an aggregate decrease in regular budget appropriations of $100 million – although some of that decrease had been due to the adoption of net budgeting in the preparation of the programme budget for the biennium 1998-1999. Peacekeeping assessments had also fallen, from over $3 billion in 1995 to $1.2 billion in 1997. The second factor was arrearage payments. While there had been improvements in both regular budget and peacekeeping collections, the overall rate of improvement had been disappointing and an increasingly high percentage of assessments remained in arrears and uncollected.

5. The number of Member States paying their regular budget assessments in full had climbed to 100 at the end of 1997 and there had been a substantial decrease in the number of Member States owing more than their 1997 assessments. The absolute level of unpaid regular budget assessments also continued to decline, with the remaining level of $473 million at 31 December 1997 being highly concentrated in one Member State. Three Member States had accounted for 86 per cent of all unpaid regular budget assessments at year end 1997. Seventeen Member States had made no regular budget payments in 1997.

6. The aggregate amount of unpaid peacekeeping assessments at 31 December 1997 had been $1,574 million, a decrease of $150 million since 1995. The United States portion of unpaid assessments, however, had increased by $124 million. On the other hand, the Russian Federation was more than meeting the commitment given by President Yeltsin to pay off all arrears to the United Nations in seven years. As at 31 December 1997, 82 per cent of all unpaid peacekeeping assessments had been owed by three Member States.

7. The United Nations had no capital and no cash reserves as such. When the amount of cash on hand was low, it had no alternative but to slow down the payment of its obligations, largely payments to troop and equipment contributors. As at 31 December 1997, the aggregate debt to Member States for troops and equipment had been $884 million, down from a high of $1,155 million in 1995 but up from the 1996 level of $838 million. Since the end of 1996, it had been the Secretary-General's intention to compensate Member States each year for approximately the amount of the obligation incurred by the Organization that year for troops and equipment and to pay down aggregate debt arrearage when Member States paid down substantial amounts of their peacekeeping assessment arrearages. That policy had been followed in 1997. Unfortunately, negotiations with Member States which had provided contingent-owned equipment to missions had required an

upward revaluation of $100 million of the aggregate debt. There had been similar revaluations in the past and it was not unlikely that, following negotiations with the Member States involved, additional revaluations would occur in the future. Over 70 Member States were owed amounts for the use of troops and equipment, of which six were owed in excess of $40 million each.

8. Looking ahead to 1998, combined cash was projected to decline further to $577 million as compared with $669 million at the end of 1997. A return to the deficit levels experienced in 1995 and 1996 was projected for the regular budget component of the combined cash balance.

9. Although there was inherent difficulty in making cash-flow projections for peacekeeping, peacekeeping cash was also projected to continue to decrease, to a level of $761 million at the end of 1998. Cash projections for peacekeeping were based on three key assumptions: that the level of peacekeeping would decline to $800 million; that new obligations for troops and equipment would be about $170 million; and that the Secretary-General would continue in 1998 to pay Member States an amount approximately equal to the new obligation for that year.

10. As a result there would be a further increase in the percentage of peacekeeping cash which must be cross-borrowed by the regular budget to offset the cash deficit in that account.

11. Regular budget assessments of $1.1 billion for 1998 had been issued to Member States in December 1997. By the expected payment date of 31 January, however, only 24 Member States had paid in full. By the end of February, the number of Member States making full payment had increased to 39, the same number as in 1997. As a consequence, the normal surge of cash inflows traditionally expected at the beginning of each year had not materialized for 1998. The Secretary-General urged all Member States to make prompt payments of amounts now past due.

12. At the end of 1998, the amount owed for troops and contingent-owned equipment was projected to increase to $890 million from $884 million at the end of 1997, and there were no indications of arrearage payments. The Organization therefore did not anticipate making any other payments to Member States in 1998 beyond an amount approximately equal to the obligation incurred for troops and equipment in 1998. Any further pay down of obligations would need to await arrearage payments.

13. To sum it up, the Organization's cash position was weak and getting weaker. Unpaid assessments were decreasing slowly while the ability to cross-borrow was drying up. The United Nations debt to Member States had become resistant to change and the Organization was faced with a situation requiring choice, where someone could be the last one to get paid.

14. **Mr. Wibisono** (Indonesia), speaking on behalf of the Group of 77 and China, said that the Organization's current financial difficulties were mainly the result of the failure by some Member States, and in particular the major contributor, to fulfil their obligations under the Charter in full, on time and without conditions. Sympathetic understanding should be given, however, to those States which, though willing to pay, were temporarily unable to do so owing to genuine economic difficulties and reasons beyond their control. Due consideration should also be given to the debts owed by the Organization to Member States. Indeed, it should be emphasized that the Organization had been functioning at the expense of those Member States and in particular the developing countries which had contributed troops and equipment.

15. The Group of 77 and China also wished to emphasize that the lack of political will on the part of certain Member States to fulfil their financial obligations should not be used as a pretext to confuse that issue with others. It wished, further, to reiterate its view that the scale of assessment bore no relation to the Organization's ongoing financial crisis.

16. **Mr. Baquero** (Colombia), speaking on behalf of the Movement of Non-Aligned Countries, said that the United Nations had been in a state of financial crisis almost from its creation. The only solution to the problem was for Member States to fully discharge their financial obligations to the Organization. Indeed, the constant violation of the principle of international law that parties to a treaty must observe its provisions in good faith undermined the noble aims and purposes for which the United Nations had been established. Of even greater concern was the way in which the Organization's financial "sickness" was being manipulated by some. In fact, the problem had ceased to be a merely technical one and had taken on political dimensions.

17. The Movement of Non-Aligned Countries was concerned at the continued borrowing from peacekeeping cash to fund regular budget expenditures, which resulted in the delay of payments to troop contributors, many of which were developing countries. A solution to that problem was urgently needed, since even the resources in the peacekeeping account were dwindling and the Organization would shortly be facing a serious liquidity problem.

18. The time had come to give serious consideration to mechanisms for restoring the Organization's financial

stability, such as the use of incentives and disincentives, including giving preference in the award of procurement contracts to those Member States which had fulfilled their financial obligations to the Organization.

19. **Mr. Thorne** (United Kingdom), speaking on behalf of the European Union, the associate countries of Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia and, in addition, Iceland and Norway, said that the underlying trends noted in the statement by the Under-Secretary-General, and in particular the continued recourse to borrowing from peacekeeping cash, remained very disturbing. The European Union was concerned that even the unfortunate practice of cross-borrowing might soon become impossible, given the decline in available peacekeeping funds. By forcing upon the Organization such difficult cash constraints, the international community was limiting the freedom of the Secretary-General to pursue the reform objectives which it supported.

20. There was no avoiding the fact that those Member States which did not meet their obligations must bear the fundamental responsibility for the current cash-flow problems. The European Union looked forward to the contributions to the debate of those Members in arrears, and in particular the United States of America, which remained the largest debtor. The European Union was of the view that all Member States should fulfil their obligations in full, on time and without conditions and that any unilateral reduction of amounts owed to the Organization by the United States was unacceptable. In that connection, the European Union welcomed the adoption of a revised scale of assessments for the regular budget, even though it would have preferred to make the process of funding the Organization less complex. Despite some progress in that area, there was still need to make the scale more truly reflective of the actual capacity of Member States to pay and to share the burden more equitably.

21. In addition to the issues of arrears and of fairness and transparency in the regular budget scale, the European Union had also proposed the revision of the peacekeeping scale and the introduction of incentives and disincentives to encourage Member States to better meet their obligations. Those proposals remained on the table and the Union would be pursuing them at the appropriate moment. Among other proposals to which the European Union was attached was the question of tightening the rules for the implementation of Article 19 of the Charter and the application of those rules to ensure that the disincentive envisaged by the founders of the Organization was properly implemented.

22. **Mr. Saha** (India) said that his delegation associated itself with the statements made by the representative of Indonesia on behalf of the Group of 77 and China and the representative of Colombia on behalf of the Movement of Non-Aligned Countries. As long as Member States failed to abide by their Charter obligation to pay in full and on time, or failed to pay their outstanding arrears on the basis of a time schedule, the United Nations could not undertake proper financial planning. Yet Member States continued to entrust the Organization with important mandates in furthering the twin causes of global development and peace.

23. Despite the obvious cause of the crisis, some Member States had sought to deflect attention from the failure to meet their obligations by emphasizing other factors. Economic underdevelopment, political change and transition and temporary financial problems continued to impede some countries' ability to pay. Most crippling, however, was the withholding of assessed contributions by the largest contributor. Long delays in reimbursement for peacekeeping troops and equipment posed yet another problem for certain Member States. Consensus measures were essential to address the crisis facing the Organization. India had repeatedly stated its commitment to reform of the United Nations, including financial reform.

24. An equally serious crisis affected the funding of the Organization's operational activities. Despite a number of pledges of new and additional resources for development, the overall level of resources for development had dwindled. His delegation hoped that the Secretary-General's reforms would lead to the establishment of a funding system that would generate a substantial increase in resources on a predictable and secure basis.

25. The Secretary-General had made proposals to channel funds to development activities through mechanisms that would ensure greater administrative efficiency and savings in the Organization's regular budget. However, the relevant report of the Advisory Committee had made it clear that, owing to the financial crisis, the Secretariat was drawing dubious distinctions between programme and administrative activities. It was desperately trying to demonstrate so-called savings in the hope of persuading defaulters to pay contributions which should be unconditional, but mandated programmes were the ultimate casualties of the failure to pay and the economy drive.

26. The United Nations had been exploring new and innovative sources of funding as a way out of the financial crisis. India welcomed such initiatives provided they did not distort the priorities of international development cooperation, which must continue to be based on the

nationally determined priorities of programme countries. Any new source of financing must support programmes and activities mandated by the competent intergovernmental bodies. In addition, they should not be used to bail out countries which defaulted on payment, nor should they become such an important component of financing that they disrupted or unduly influenced programmes mandated by the General Assembly. Finally, the debate on innovative sources of financing should not become another excuse for the Governments of developed countries to renege on the targets for official development assistance which they had committed themselves to.

27. The full impact of the financial crisis would only become apparent when the Secretariat provided a full cost estimate of all mandated programmes. For years, gratis personnel had been used to fill gaps in financing; now that such personnel were being phased out, the Secretariat should indicate how their work would be performed. The tasks formerly performed by gratis personnel should not become the latest casualties of the financial crisis.

28. **Mr. Sial** (Pakistan) said that his delegation associated itself with the statements made by the representative of Indonesia on behalf of the Group of 77 and China and the representative of Colombia on behalf of the Movement of Non-Aligned Countries. The serious financial situation, with its negative impact on mandated programmes and activities, was mainly the result of non-payment of assessed contributions by some Member States, especially those which had the capacity to pay but chose not to. The financial crisis had led the Organization to adopt extraordinary practices such as the employment of gratis personnel and the borrowing of money from peacekeeping budgets in order to meet the recurring expenses of the Organization. Consequently, certain countries had not been reimbursed for the peacekeeping expenses they had incurred. An extraordinary situation had arisen in which amounts owed to the developing countries for peacekeeping expenses were being used to finance the deficit created by non-payment of assessed contributions, particularly by the major contributor.

29. His delegation regretted that it had not been possible to reach consensus on specific measures to resolve the crisis. The Fifth Committee should consider various incentives for payment and disincentives for non-payment, thereby encouraging all Member States to pay their assessed contributions in full, on time and without conditions.

30. **Ms. Powles** (New Zealand) said that there was little which paid-up Member States could say to defaulters except that they should abide by their obligations under the Charter.

31. **Mr. Hanson** (Canada) reiterated the need for all Member States to pay in full, on time and without conditions. Since Member States had adopted both the new scale of assessments and the regular budget by consensus, it was hard to conceive of any justification for contributors to renege on their commitments. His delegation supported a system of incentives for payment of arrears, and also endorsed a tightening up of the application of Article 19 of the Charter.

32. **Mr. Greiver** (Uruguay) said that his delegation associated itself with the remarks made on behalf of the Group of 77 and China and the Movement of Non-Aligned Countries, and noted that the status of arrears to troop-contributing countries had actually worsened.

33. **Mr. Sklar** (United States of America) said that the United States intended to make partial payment of its current obligation beginning in March 1998; the amount it planned to pay was larger than the contribution of the next-largest contributor for the entire year. Nevertheless, it was true that United States arrears to the United Nations were still at a very high level. The President of the United States, the Secretary of State and the United States Mission to the United Nations were working closely with the Congress to release those funds.

34. **Mr. Odaga-Jalomayo** (Uganda) said that his delegation associated itself with the remarks made on behalf of the Group of 77 and China and the Movement of Non-Aligned Countries. Despite the gloomy picture painted by the Under-Secretary-General for Management, it was important to acknowledge that the majority of Member States took their assessed contributions very seriously, as demonstrated by the commendable example of the Russian Federation. His delegation was slightly concerned that the Under-Secretary-General's presentation had focused on the non-payment of assessed contributions during the first two months of the calendar year. Presenting the figures in that way ignored the fact that a number of States were both willing and able to pay, but the nature of their budget cycle precluded them from doing so at that particular time. The Under-Secretary-General should also account for the money received by the Organization in the form of private contributions from individual United States citizens.

35. **Mr. Dobe Mbalanga** (Democratic Republic of the Congo) said that his delegation associated itself with the remarks made on behalf of the Group of 77 and China and the Movement of Non-Aligned Countries. The lack of liquidity and persistent arrears that beset the Organization were, admittedly, problems of a technical nature, but they also had an undeniable political aspect. Member States

should refrain from getting bogged down in a fruitless political debate which would impair the capacity of the United Nations still further.

36. **Mr. Jaremczuk** (Poland) said that his Government had paid its assessed budget contributions the previous day.

37. **Ms. Silot Bravo** (Cuba) said that her delegation associated itself with the remarks made on behalf of the Group of 77 and China and the Movement of Non-Aligned Countries, and noted that the financial crisis was primarily the fault of the United States, which was flouting its Charter obligations. Member States should focus on resolving the problem, while at the same time acknowledging that some countries were willing to pay but were unable to do so because of pressing economic constraints.

38. **Mr. Blukis** (Latvia) said that he regretted that, for historical reasons, Latvia did not appear on the list of fully paid-up Member States. He hoped that his Government would be able to pay off its debt shortly. Regarding certain specific points in the Under-Secretary-General's presentation, his delegation commended the concrete and practical statements of intent on troop and equipment payments. The Under-Secretary-General should comment on whether revaluations in respect of amounts owed for troops and equipment were always higher or whether they were ever revised downwards. In relation to the Under-Secretary-General's remarks on the cash position of the regular budget and the peacekeeping cash balance, it might be useful to show the figures as percentages of expenditures.

39. **Ms. Achouri** (Tunisia) said that her delegation associated itself with the remarks made on behalf of the Group of 77 and China and the Movement of Non-Aligned Countries. A system of incentives for payment (and disincentives for non-payment) should be explored, and the application of Article 19 of the Charter should also be tightened up. It was regrettable to hear the Under-Secretary-General refer to cross-borrowing from the peacekeeping budget in such a matter-of-fact way; what was required was a lasting solution to the financial crisis, in other words payment of arrears by the largest contributor.

40. **Mr. Humenny** (Ukraine) said that, owing to reasons beyond his Government's control, Ukraine was the second largest debtor to the United Nations. His Government was working hard to reduce its arrears; accordingly, the proposed system of incentives and disincentives, as well as the proposed changes in the application of Article 19 of the Charter, were not acceptable to his delegation.

41. **Mr. Connor** (Under-Secretary-General for Management) said that the Secretariat continually updated the status of payments by Member States throughout the year. Slightly over $70,000 had been received in the form of private contributions from individual United States citizens; that money, which by law could not be used to pay down a Member State's debt, had been placed in a trust fund. Although the aggregate of contingent-owned equipment always seemed to be revalued upwards, the revaluation was done on a mission-by-mission basis, so there might be instances where the amount owed was occasionally revised downwards.

42. Although there was a clear relationship between the percentage of cash and the percentage of debt, in his presentation he had tried to show the ratio between levels of assessment and levels of debt. It was wrong to suppose that the Secretariat condoned the practice of cross-borrowing from the peacekeeping budget; indeed, the only sure route out of the financial crisis was for the largest contributor to pay into the budget the amounts it had withheld.

43. **Mr. Odaga-Jalomayo** (Uganda) said that the charts accompanying the Under-Secretary-General for Management's presentation showed that the number of Member States making no regular budget payments had increased from 12 to 17 between 1996 and 1997. He wondered whether the Secretariat had contacted those Member States to determine the reasons for their failure to pay and to ask when they planned to do so.

44. **Mr. Connor** (Under-Secretary-General for Management) said that while his office reminded those Member States of their obligations, most of them were unable to pay because of their national situations. However, frequent reminders were sent to major contributors.

45. **The Chairman** said that he hoped that the Under-Secretary-General for Management would draw attention to the statements made by Committee members at the current meeting at his noon press briefing.

Agenda item 114: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*) (A/51/804; A/52/7/Add.3, A/52/338, A/52/534 and Corr.1, A/52/776, A/52/777 and A/52/813)

46. **Mr. Abraszewski** (Joint Inspection Unit), introducing the Joint Inspection Unit report on the challenge of outsourcing for the United Nations system (A/52/338), said that the organizations of the United Nations system should actively consider whether, in a given situation, outsourcing was the best way of achieving efficiency and effectiveness and of building into the Organization's management culture a powerful agent for change that would maintain the

momentum of reform through incentives for innovation and cost-effectiveness.

47. He was pleased that the report was being considered together with the report of the Office of Internal Oversight Services (OIOS) on the review of outsourcing practices at the United Nations (A/51/804), since JIU and OIOS had cooperated closely in the preparation of the two documents. The reports were complementary; for example, the substantive information on outsourcing at the United Nations in the OIOS report compensated for the fact that the organization had not been able to provide data for inclusion in the JIU report. Both reports stressed the need to establish a policy on outsourcing and the usefulness of a focal point or facilitator in that regard. The validity of the findings and recommendations in the OIOS report was strengthened by the JIU report's system-wide perspective and inclusion of the experience of other organizations. In that regard, he noted that the World Bank, the International Telecommunication Union (ITU) and the United Nations Educational, Scientific, and Cultural Organization (UNESCO) were developing a policy on outsourcing.

48. Meeting the challenge of outsourcing, an established aspect of the United Nations system, did not mean deciding to outsource any specific activity or service, but, rather, exposing all appropriate activities and services of the United Nations system to the competition of outsourcing. Potential problems to be addressed included the need to respect the international character of United Nations organizations, to ensure appropriate control and management of outsourced contracts, and to avoid a negative impact on affected staff, who should not be penalized for past inefficiencies beyond their control.

49. JIU, in its report, recommended that the General Assembly and legislative organs of the United Nations system should request their Executive Heads to prepare policy statements committing their organizations to the use of outsourcing and including both criteria for determining which non-core activities should be considered for outsourcing and measures to ensure that the international character of the organization would not be compromised. Executive Heads should prepare a set of rules and/or procedures, propose changes in the structure and/or procedures of their secretariats in order to facilitate outsourcing, including the possible designation of a facilitator; ensure that Member States were provided with comprehensive, transparent information on outsourcing in regular programme budget submissions and performance reports; and endeavour to ensure that decisions to outsource specific activities or services did not have a negative impact on staff, and, when such impact was unavoidable, that measures were taken to protect those affected.

50. The report drew attention to the need for greater coordination and suggested that the General Assembly should request the Administrative Committee on Coordination (ACC) to develop a system-wide definition of outsourcing, encourage the sharing of outsourcing experience between United Nations organizations and explore possibilities for joint and coordinated action with regard to outsourcing in order to achieve economies of scale and increased bargaining power.

51. The fact that the Secretary-General had concurred with the recommendations made in the OIOS report was a sign that the United Nations could be expected to play a leading role in coordinating outsourcing within the system. Greater transparency and determination to explore the usefulness of outsourcing for international organizations should help to correct a perceived lack of confidence in outsourcing practices on the part of the United Nations system.

52. **Mr. Paschke** (Under-Secretary-General for Internal Oversight Services) said that the detailed information provided in the JIU report confirmed the findings of the OIOS report, especially with regard to the need to establish criteria and procedures for outsourcing. In particular, table 2 of the JIU report showed that cost-benefit analyses were not always used in determining whether a given activity should be outsourced. The reports differed in some respects, for example, the JIU report suggested that in-house staff might be permitted to compete for outsourced contracts, whereas the OIOS report advocated allowing staff to concentrate on areas in which they had particular expertise and outsourcing non-core functions. But it was clear that the issue of outsourcing provided an opportunity for JIU, OIOS and the Board of Auditors to cooperate in addressing issues of concern to the entire Organization.

53. *Ms. Daes (Greece), Vice-Chairman, took the Chair.*

54. **Mr. Herrera** (Mexico) said that his delegation welcomed the Secretariat's remarks concerning the phase out of type II gratis personnel in the Procurement Division in accordance with General Assembly resolutions 51/243 and 52/220 and supported the view of the Advisory Committee concerning the reclassification of a D-1 post to the D-2 level (A/52/7/Add.3, para. 16). He was concerned at the fact that, despite Secretariat efforts to widen the geographical basis of, and increase the number of, registered suppliers on the roster, there had been a further increase in the percentage of suppliers located in the country already most heavily represented. The activities described in paragraphs 36-37 of the Secretary-General's report on

procurement reform (A/52/534) and the establishment of an Internet homepage should lead to an increase in the number of potential suppliers. Lastly, his delegation requested information on the introduction of the incentive mentioned in paragraph 11 of General Assembly resolution 51/231.

55. **Mr. Wharton** (United States of America) said that his delegation welcomed the reports on outsourcing and procurement reform but that, despite considerable progress, much remained to be done. He was pleased that competitive bidding was increasing and now accounted for 72 per cent of all procurement since free and fair competition was the hallmark of a transparent, cost-effective system which would result in savings to the Organization and, ultimately, to Member States. He also welcomed the wider announcement of contracts, training of those responsible for procurement, completion of a procurement manual and enlargement of, and expansion of geographic representation on, the vendors' roster.

56. There was a perception that vendors from his country received a disproportionate share of United Nations procurement. However, United States products were highly competitive and United States vendors highly accessible. Moreover, Headquarters procurement accounted for only 10 per cent of procurement by the entire United Nations system, and United States vendors had provided only 10.4 per cent of total procurement for 1996. While the 1997 figure would be higher, it was unlikely to exceed 15 per cent. Provided that competition was fair, there should be few complaints.

57. **Mr. Moktefi** (Algeria) said that while his delegation welcomed the JIU and OIOS reports, he wondered why the United Nations had been unable to provide comprehensive information regarding outsourcing and asked the Secretariat to explain the nature of the problem.

58. **Ms. Powles** (New Zealand) requested copies to be made available of the Under-Secretary-General for Management's statement at the previous morning's meeting.

59. Paragraph 52 of the JIU report (A/52/338) mentioned the possibility of using former staff members as providers for outsourcing contracts. That practice might lead to a conflict of interest and a lack of transparency and would certainly require extensive auditing in order to protect the staff members themselves.

60. **The Chairman** announced that copies of the Under-Secretary-General for Management's statement would be circulated.

61. **Mr. Thorne** (United Kingdom), speaking on behalf of the European Union, said that his delegation welcomed, with some reservations, the recommendations contained in the reports on outsourcing submitted by JIU and OIOS. There were a number of differences between the two reports, especially with regard to the outsourcing of core functions; that issue deserved more careful consideration. Since Governments often contracted out services to reduce costs, the United Nations should be equally entitled to make use of outsourcing whenever it represented the best use of resources. The reports highlighted the risks inherent in improperly managed outsourcing, but also the benefits of well-managed outsourcing. Lastly, he welcomed the complementarity between the two reports, which should set an example for the work of the two oversight bodies elsewhere in the Organization.

62. **Mr. Hanson** (Canada) said that he shared the concerns expressed by the representative of New Zealand. An arrangement whereby ex-staff could compete for outsourced contracts would blur the distinction between outsourcing and in-house performance of services, and should be approached very cautiously. He noted that his Government did not award such contracts to former staff members until at least six months had elapsed since their separation from government service.

63. **Mr. Paschke** (Under-Secretary-General for Internal Oversight Services) introduced the report of his Office on the audits of the regional commissions (A/52/776). The Economic Commission for Europe (ECE) had not been audited because it was on a different audit cycle and because it relied on the United Nations Office at Geneva for support services, which were covered by separate audits. His Office would conduct an audit of ECE in the second half of 1998.

64. The audit of the Economic Commission for Africa (ECA) had found that major improvements in internal controls were needed to strengthen financial management. It had also uncovered problems with the accounting system, bank reconciliations and the collection of accounts receivable. ECA had responded by establishing an appropriate action plan and a timetable for its implementation. Despite the efforts that would be made to promote the new United Nations Conference Centre, the audit had found a number of factors that would limit the use of the facilities. ECA had reported that a proposed marketing strategy for the Centre, based on the results of a workshop held with the participation of representatives of the business community and of the host Government, was currently being finalized.

65. The audit of the Economic Commission for Latin America and the Caribbean (ECLAC) and its subregional headquarters in Mexico had found that programme management was generally satisfactory. However, ECLAC

should develop a methodology for assessing the quality of programme outputs and an evaluation manual for extrabudgetary projects. On the recommendation of his Office, ECLAC and the United Nations Environment Programme (UNEP) had concluded, in October 1997, an inter-agency agreement on administrative support with regard to the services provided to UNEP by ECLAC subregional headquarters in Mexico. The costs incurred by ECLAC should be fully reimbursed by UNEP.

66. His Office had recommended that the Economic and Social Commission for Asia and the Pacific (ESCAP) should strengthen its monitoring of programme performance, the implementation of its work programme and its procurement functions. Although ESCAP had received nearly $0.5 million in rental income, a large portion of those receipts had been used to employ additional staff.

67. The audit of the Economic and Social Commission for Western Asia (ESCWA) had recommended the strengthening of procurement and financial management and the improvement of security measures with respect to accountable documents. His Office had been informed that ESCWA had completed its relocation to Beirut according to plan, following a revision of the budget and the elaboration of a detailed plan for the move.

68. He then introduced the report of his Office's review of programme management in the Crime Prevention and Criminal Justice Division (A/52/777). The review, which had been conducted in June 1997, had found that the Division worked with little guidance from upper management. Resources were spread thinly because of the lack of a clear strategic direction and of proper prioritization. In view of financial constraints, efforts should be made to integrate interrelated issues into fewer activities, to refrain from expanding the Division's role into areas in which it did not have a comparative advantage and to collaborate more effectively with other United Nations entities. Moreover, steps should be taken to reduce the large volume of documentation prepared for the Commission on Crime Prevention and Criminal Justice. The focus of the programme of work should be shifted from standard-setting to the provision of technical assistance to Member States. The new managerial structure of the United Nations Office at Vienna would foster synergies between the crime and drug programmes and would absorb some of the administrative functions currently discharged by the Division, thereby making more resources available for the execution of the mandated programme of work.

Agenda item 116: Programme budget for the biennium 1998-1999 (*continued*) (A/52/7/Add.7 and A/52/699)

69. **Ms. Mayanja** (Office of Human Resources Management) introduced the report of the Secretary-General on the interim study of the question of honoraria payable to members of organs and subsidiary organs of the United Nations (A/52/699). Section I of the report indicated that the current rates of honoraria were based on General Assembly resolution 35/218. Section II recalled that the Secretary-General had proposed to the General Assembly, at its forty-seventh session, that the honoraria should be increased by 25 per cent. Section III indicated that, in 1995 and 1996, the President of the International Narcotics Control Board and the President of the United Nations Administrative Tribunal had raised concerns about the level of honoraria. Section IV recalled that the honoraria payable under General Assembly resolution 35/218 had been extended to the members of the Committee on the Elimination of Discrimination against Women and the Committee on the Rights of the Child. In section V, the Secretary-General indicated that he was resubmitting his recommendation that the rates of honoraria should be increased by 25 per cent, with effect as from 1 January 1998. Lastly, section VI indicated that the financial implications of the proposed increase would amount to $182,500 for 1998-1999.

70. *Mr. Chowdhury (Bangladesh) resumed the Chair.*

71. **The Chairman** drew attention to document A/52/7/Add.7, which contained the Advisory Committee's views on the Secretary-General's report.

Organization of work

72. **Mr. Wortel** (Office of Human Resources Management) said that the quarterly report on type II gratis personnel, to be submitted pursuant to General Assembly resolution 51/243, indicated that 14 such personnel had begun to provide services in the fourth quarter of 1997. Six of them worked for the Department of Peacekeeping Operations and eight worked for the International Criminal Tribunal for Rwanda. The report, which had been compiled from data submitted by 10 departments and offices at Headquarters and abroad, was currently being translated. The delays in its issuance had been beyond the control of his Office, as the offices submitting the information had not been accustomed to reporting in the format required by the General Assembly.

73. **Ms. Silot Bravo** (Cuba) said that, since the Committee would be considering the report on non-programme costs for the first time at the following day's meeting, an additional

meeting should be held on agenda item 116. She also asked what action would be taken on the proposal she had made at the preceding meeting to defer the issue of respect for the privileges and immunities of United Nations officials to the next session of the General Assembly, since it was to be considered biennially. Lastly, she repeated her delegation's request for confirmation that the provisions of General Assembly resolution 52/220 would continue to apply with respect to pilot projects and the use of the contingency fund.

74. **The Chairman** said that all delegations should use restraint in proposing that agenda items should be kept open, so as not to disrupt the Committee's programme of work. However, an additional meeting could be held on agenda item 116. The Bureau would discuss the timing of the consideration of the report on privileges and immunities at its next meeting. The report on the use of the contingency fund would be issued shortly, after which it would be considered by the Advisory Committee. He would inquire as to the availability of the report on pilot projects.

75. **Ms. Emerson** (Portugal) said that, when the decision had been taken to biennialize the consideration of the agenda item on human resources management, it had been decided that the Secretariat should submit an annual report on the privileges and immunities of United Nations officials. Accordingly, the Committee could take note of the report submitted each year, without necessarily taking action on it.

The meeting rose at 1 p.m.